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**DECLARATION OF MAILING**

I declare under penalty of perjury  
under the laws of the State of  
Washington that on the date listed  
below, I mailed or caused delivery  
of a true copy of this document to  
parties below

DATED this 6 day of Dec 2004  
at Tumwater, Washington.

Signed: W. Galloway

Hearings Unit, DIC  
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In the Matter of:

THE APPLICATION FOR  
REDOMESTICATION OF PROGRESSIVE  
NORTHWESTERN INSURANCE  
COMPANY FROM THE STATE OF  
WASHINGTON TO THE STATE OF OHIO.)

NO. G2004-73

FINAL ORDER APPROVING  
APPLICATION FOR  
REDOMESTICATION

TO: John Andrew Barbagallo, Director  
Progressive Northwestern Insurance Company  
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Highland Heights, Ohio 44143

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Progressive Northwestern Corporate Law Department  
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700 Fifth Avenue, Ste. 5800  
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**AND TO:** Mike Kreidler, Insurance Commissioner  
Michael G. Watson, Chief Deputy Insurance Commissioner  
James T. Odiorne, Deputy Commissioner, Company Supervision Division  
John Hamje, Staff Attorney, Legal Affairs Division  
Marshall McGinnis, Manager, Company Licensing Manager  
Office of the Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504-0255

Pursuant to Chapter 48.04 RCW, Chapter 34.05, RCW, RCW 48.07.210 and specifically RCW 48.07.210(2), and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Insurance Commissioner of the state of Washington commencing at 10:00 a.m. on Monday, December 6, 2004 in the Office of the Insurance Commissioner, 5000 Capitol Blvd., Tumwater, Washington 98501. All persons to be affected by the above-entitled matter were given the right to be present at such hearing, during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses and present oral and written statements. The Insurance Commissioner was represented by John F. Hamje, Staff Attorney, Legal Affairs Division. The Applicant, Progressive Northwestern Insurance Co., was represented by Melvin N. Sorensen, Attorney at Law.

### **NATURE OF PROCEEDING**

On August 24, 2004, Progressive Northwestern Insurance Company (Progressive Northwestern) filed an Application for Redomestication with the Office of the Insurance Commissioner (Commissioner), and on September 10, 2004, the undersigned received and filed a request for hearing from the Commissioner relative to this Application for Redomestication.

Progressive Northwestern is a Washington domestic insurance company.

Applications for redomestication are controlled by RCW 48.07.210(2). Pursuant to RCW 48.07.210(2), the Commissioner must approve any proposed transfer of domicile unless the Commissioner determines after a hearing, pursuant to such notice as the Commissioner may require, that the transfer is not in the best interests of the public or the insurer's policyholders in this state. On September 10, 2004, therefore, pursuant to RCW 48.04.010(1), the undersigned received and filed a request for hearing from the Commissioner.

**FINDINGS OF FACT**

Having considered the written and oral evidence presented at the hearing, and the documents on file herein, the Commissioner finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.
2. Progressive Northwestern is an active Washington domestic insurance company. [Testimony of James L. Kusmer, Assistant Treasurer for Progressive Northwestern Insurance Company.]
3. On August 24, 2004 Progressive Northwestern filed an Application for Redomestication, with detailed attachments concerning its history, personnel and financial status, filed pursuant to RCW 48.07.210 and the National Association of Insurance Commissioner's Uniform Certificate of Authority Application. The proposed effective date is to be scheduled to occur after approval of the redomestication, if any, is given herein. Progressive Northwestern has, therefore, provided at least thirty days advance written notice of its proposed plans to redomesticate to the Commissioner.
4. If this proposed redomestication is approved, the result will be that Progressive Northwestern will be domiciled in the state of Ohio instead of the state of Washington. The state of Ohio has advised Progressive Northwestern that it qualifies to be admitted in Ohio as a domestic insurer. [Testimony of James L. Kusmer.] Progressive Northwestern is currently qualified to be admitted to do business in Washington as a foreign insurer. [Testimony of Marshall McGinnis, Company Licensing Manager, Company Supervision Division, Office of the Washington State Insurance Commissioner.]
5. Progressive Northwestern has applied for redomestication because it hopes to lower its costs structure from anticipated tax savings in states other than Washington and to reduce Progressive Northwestern's administrative costs. [Testimony of James L. Kusmer.]
6. Progressive Northwestern intends on maintaining its current market position in Washington State if the Application for Redomestication is approved, and the proposed redomestication to Ohio will be invisible to Progressive Northwestern's policyholders in Washington State because the company plans for no changes in its producer base in Washington State, claims handling, or methods of servicing these policyholders as a result of the proposed redomestication. [Testimony of James L. Kusmer.]
7. It is the position of Progressive Northwestern that, as to policies which have currently been issued to Washington policyholders and also as to policies which will be

issued to Washington policyholders in the future, the laws of Washington will apply just as if Progressive Northwestern were still a domestic Washington insurer. [Testimony of R. Scott Spriggs, Washington Auto Product Manager for Progressive Northwestern Insurance Company.]

8. Of the approximately \$786,494,739 total gross annual written premiums received by Progressive Northwestern, \$32,229,100 is received relative to policies issued to Washington residents. [Testimony of Marshall McGinnis.]

9. There are no known lawsuits Progressive Northwestern involving Washington policyholders. [Testimony of James L. Kusmer; Testimony of Marshall McGinnis.]

10. Redomestication of Progressive Northwestern from the state of Washington to the state of Ohio is in the best interests of the public and Progressive Northwestern's Washington policyholders. [Testimony of James L. Kusmer; Testimony of Marshall McGinnis.]

11. This proposed transfer of domicile of Progressive Northwestern from the state of Washington to the state of Ohio is fair, equitable and consistent with law. The best interests of the public, and Progressive Northwestern's policyholders, will be served by the proposed transfer.

12. The Notice of Hearing on Application for Redomestication herein entered by the undersigned on October 22, 2004, which contains information concerning this proposed redomestication and the public hearing thereon, was published in its entirety on the Commissioner's website since, at least, October 28, 2004 and remained there continuously until the date of the hearing herein. [Testimony of Marshall McGinnis; Staff Ex. 1.] Said Notice of Hearing was also published twice in the Washington State Register: November 17, 2004 and December 1, 2004. [Testimony of Marshall McGinnis; Staff Exs. 2 and 3.] Therefore reasonable and adequate notice of the hearing concerning this proposed redomestication was provided. Further, in the Notice of Hearing as published, all interested individuals and entities were advised of their right to submit either support for, or objections to, the proposed redomestication by letter on or before December 6, 2004 to the undersigned. Other than the pre-filed direct testimony submitted on behalf of Progressive Northwestern, no such communications of any kind were received by the undersigned. Further, no such communications were received by the Commissioner [Testimony of Marshall McGinnis] or by Progressive Northwestern [Testimony of James L. Kusmer.]

13. Given the above Findings of Facts, it cannot be found that the proposed transfer of domicile of Progressive Northwestern from the state of Washington to the state of

Ohio is not in the best interests of the public or not in the best interests of Progressive Northwestern's Washington policyholders.

14. The sole witness for the Commissioner was Marshall McGinnis, Company Licensing Manager in his Company Supervision Division. Mr. McGinnis presented his testimony in a detailed and credible manner and exhibited no apparent biases.

15. James L. Kusmer, Assistant Treasurer for Progressive Northwestern, appeared as a witness for Progressive Northwestern. Mr. Kusmer presented his testimony in a detailed and credible manner and exhibited no apparent biases.

16. R. Scott Spriggs, Washington Auto Product Manager for Progressive Northwestern, appeared as a witness for Progressive Northwestern, with authority given to him to testify by James L. Kusmer, as stated during the hearing herein. Mr. Spriggs presented his testimony in a detailed and credible manner and exhibited no apparent biases.

17. Based upon the above Findings of Fact, it is here found that the Application for Redomestication filed herein by Progressive Northwestern, which proposes to transfer its domicile from the state of Washington to the state of Ohio and is detailed in that Application, is reasonable under the circumstances and should be approved.

### **CONCLUSIONS OF LAW**

1. Pursuant to Title 48 RCW, and specifically RCW 48.07.210, the Insurance Commissioner has jurisdiction over Progressive Northwestern's Application for Redomestication.

2. Based upon Finding of Fact No. 3 above, Progressive Northwestern properly filed its Application for Redomestication with the Commissioner on August 24, 2004, with a proposed effective date to be determined after said application is approved by the Commissioner. Therefore, Progressive Northwestern has provided at least thirty days advance written notice of its plan to the Commissioner, as required by RCW 48.07.210(2).

3. Based upon Finding of Fact No. 10 above, reasonable and adequate notice of the Hearing required by the Commissioner was given, in compliance with RCW 48.07.210(2).

4. Based upon the Finding of Fact above, and particularly Findings of Fact Nos. 9 and 12 above, it cannot be determined that the proposed transfer of domicile of Progressive Northwestern from the state of Washington to the state of Ohio is not in the best interests of the public or Progressive Northwestern's Washington policyholders. Therefore, because no such determination has been made, as required by RCW 48.07.210(2), the Commissioner must approve this Application for Redomestication.

**ORDER**

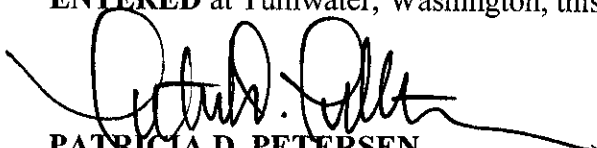
On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of this Application for Redomestication has been met,

**IT IS HEREBY ORDERED** that the Application for Redomestication of Progressive Northwestern Insurance Company, which seeks approval of the Commissioner to transfer its domicile from the state of Washington to the state of Ohio, is GRANTED effective as of the date of entry of this Order.

**IT IS FURTHER ORDERED** that the actual effective date of the transfer of domicile from the state of Washington to the state of Ohio shall be the date on which the state of Ohio has determined that Progressive Northwestern Insurance Company shall become a domestic Ohio insurer. Likewise, that same date shall be the effective date on which Progressive Northwestern Insurance Company shall become a foreign insurer in the state of Washington. Thus, these transactions shall become effective on the same date in order to allow no gap in clear state of domicile as between the state of Washington and the state of Ohio.

This Order is entered pursuant to Title 48 RCW, and specifically RCW 48.07.210(2), Title 34 RCW and regulations applicable thereto.

**ENTERED** at Tumwater, Washington, this 6<sup>th</sup> day of December, 2004.



**PATRICIA D. PETERSEN**  
Chief Hearing Officer  
Presiding Officer